GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1217
ANSWERED ON:01.03.2001
HOLD OF US BASED ENRON DEVELOPMENT CORPORATION ON DPC
AJAY CHAKRABORTY

Will the Minister of POWER be pleased to state:

(a) whether the Government have finally allowed controversial US-based EnronDevelopment Corporation to strengthen its hold on the Dabhol Power Corporation (DPC) by allowing to enhance its equity to US$ 1118.7 million against US$ 886.7 million;

(b) if so, the details thereof;

(c) whether this step has reduced the stake of Maharashtra Government to 10 per cent as against 30 per cent;

(d) if so, the details thereof;

(e) whether the Government of Maharashtra have expressed its inability to retain 30% stake in the project; and

(f) if so, the type of control either of the State Government or the Union Government will be on this project?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) to (f) : On April 30, 1996, Government of India approved a foreignequity participation of US$ 434.2 million for implementation of Phase-I ofthe 2184 MW Dabhol Combined Cycle Gas Turbine by M/s Dabhol PowerCompany (DPC) in Maharashtra.The Government had also approved the proposal to offer 30% equity to Maharashtra State Electricity Board(MSEB) for Phase-I of the project. The total equity capital actually raised for the Phase-Iof the Project is US$ 430.073 million.The Governmentof Maharashtra have informed that MSEB has purchased 30% equityfrom M/s Enron Mauritius Company who are the major foreign equitypartner after completion of Phase-I of the project.

On February 16, 1999, Government of India approved a foreign equity participation of US$ 452.7 million for Phase-II of the project with the option for MSEBto acquire 30% equity. Under the financing agreements for Phase-II of the DabholCCGT, the lenders to the project had required that if MSEB failed to make any equitycontribution for funding the project, any shortfall would be met by Enron Corporation as additional equity over and above their commitment of 50%. On the lines of its participation in Phase-I of the project, MSEB intend to participate in the equity for Phase- II of the project once it is completed.

Phase-II of the Dabhol project is scheduled to startcommercial operation by November, 2001. In an application made to the Foreign Investment Promotion Board (FIPB) on October 13, 2000, DPCstated that MSEB was not making any contributions due from it for Phase-II of the project and therefore, proposed that the 30%shareholding of MSEB in Phase-II of the project be picked up by a new affiliate of Enron based in Mauritius.`In addition to this, DPC alsosought the approval of the Government for raising an additional equity of US$ 233 million by way of contingency equity at the insistence of the lenders to the project, which would be required to meet any cost variations arising during construction. GoM had conveyed their noobjection to the proposal of M/s Enron for picking up MSEB`s share ofequity for phase-II of Dabhol CCGT subject to the condition that 30%equity of Phase-II should be transferred to the nominated company of MSEB after its completion on terms and conditions mutually agreed upon.

Government of India conveyed its approval to the above proposal of M/s Dabhol Power Company on February 12, 2001.